

# Potential Steps in Fair Rental Value System Per Diem Calculation

## Step 1: Determine Building Value

(Beds \* 400 sq/ft. per bed \* location factor \* engineering-based cost/bed estimate for NF bed)

<u>Facility</u>	<u>Licensed Beds</u>	<u>Sq. Feet Per Bed</u>	<u>Location Factor</u>	<u>Cost Per Bed</u>	<u>Est. Bldg. Value (in mm.)</u>
		x		x	=
Facility A	253	400	1.05	\$ 129.00	\$ 13.71
Facility B	112	400	1.04	129.00	6.01
Facility C	120	400	1.09	129.00	6.75

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## Step 2: Determine Land and Equipment Values

<u>Facility</u>	<u>Est. Bldg. Value</u>	<u>Land Value (10% of bldg. value)</u>	<u>Equipment Value (\$4,000 per bed)</u>
Facility A	\$ 13.71	\$ 1.37	\$ 1.01
Facility B	6.01	.60	.45
Facility C	6.75	.68	.48

Note: Values shown in millions.

# Potential Steps in Fair Rental Value System Per Diem Calculation

## Step 3: Determine Minimum Depreciable Value of Building and Equipment

<u>Facility</u>	<u>Total Bldg and Equip.</u>	<u>Minimum Value (30% of Total Value)</u>
Facility A	\$ 14.72	\$ 4.42
Facility B	6.46	1.94
Facility C	7.23	2.17

Note: Values shown in millions.

# Potential Steps in Fair Rental Value System Per Diem Calculation

## Step 4: Calculate Current Value of Building and Equipment

<u>Facility</u>	<u>Facility Age</u>	<u>Effective Age</u>	<u>Percent Depreciated (2% per year)</u>	<u>x</u>	<u>Total Bldg and Equip.</u>	<u>=</u>	<u>Current Value (Total Value less Depreciated Amt.)</u>
Facility A	40	35	70%		\$ 14.72		\$ 4.42
Facility B	41	36	72%		6.46		1.81
Facility C	7	7	14%		7.23		6.22

Note: Effective age represents facility age less five years for facilities greater than 29 years old.

# Potential Steps in Fair Rental Value System Per Diem Calculation

Step 5: Compare Current versus Minimum Value of Building and Equipment and Select Greater of the Two Values

<u>Facility</u>	<u>Current Value (Undep. % of Total Value)</u>	<u>Minimum Value (30% of Total Value)</u>
Facility A	\$ 4.42	\$ 4.42
Facility B	1.81	1.94
Facility C	6.22	2.17

Note: Values shown in millions.

# Potential Steps in Fair Rental Value System Per Diem Calculation

## Step 6: Add Land Value and Calculate Return on Total Value

<u>Facility</u>	<u>Greater of Current or Minimum Value</u>	<u>Land Value</u>	<u>Total Value</u>	<u>Total Return (based on 8%)</u>
Facility A	\$ 4.42	\$ 1.37	\$ 5.79	\$ .463
Facility B	1.94	.60	2.54	.203
Facility C	6.22	.68	6.90	.551

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## Step 7: Calculate Capital Per Diem Amount

<u>Facility</u>	<u>Total Return (based on 8%)</u>	÷	<u>Greater of Actual Days or Days Adjusted for Statewide Avg. Occupancy (Annualized)</u>	=	<u>Per Diem</u>
Facility A	\$462,929		87,993		\$ 5.26
Facility B	203,084		36,150		5.62
Facility C	551,369		38,732		14.24